

**LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 6216

BILL NUMBER: HB 1272

NOTE PREPARED: Jan 11, 2012

BILL AMENDED:

SUBJECT: Sales Tax Holiday.

FIRST AUTHOR: Rep. Steuerwald

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: ☒ **GENERAL**
☒ **DEDICATED**
☐ **FEDERAL**

IMPACT: State & Local

Summary of Legislation: This bill provides a Sales Tax exemption for any item purchased at retail with a sales price of \$500 or less during a three day period each year beginning on the second Friday of August.

Effective Date: April 1, 2012 (retroactive).

Explanation of State Expenditures: This bill will increase the administrative costs of the Department of State Revenue (DOR). The DOR will have to amend the Sales Tax forms, procedures, and rules, as well as update computer software. The DOR's existing level of resources should be sufficient.

Explanation of State Revenues: *Summary* -The Sales Tax exemption provided in this bill will decrease state Sales Tax collections by an estimated \$14.9 M to \$42.5 M in FY 2013 and between \$15.5 M to \$44.3 M in FY 2014. This estimate assumes that there will be a shift in taxable sales to the exemption period provided in the bill from days falling outside the exemption period. The assumption is that up to 7 days worth of taxable sales could be shifted to the two-day exemption period. The low range of this estimated impact represents the estimated average daily Sales Tax collections for the proposed exemption period.

The table below shows the impact on the various funds included in the Sales Tax distribution.

IMPACT ON FUNDS (in millions)		No Shift		7-Day Shift	
Fund	Distribution	FY 2013	FY 2014	FY 2013	FY 2014
State General Fund	99.848%	\$14.882	\$15.516	\$42.421	\$44.230
Industrial Rail Service Fund	0.029%	\$0.004	\$0.005	\$0.012	\$0.013
Commuter Rail Service Fund	0.123%	\$0.018	\$0.019	\$0.052	\$0.054
Total	100.00%	\$14.904	\$15.540	\$42.485	\$44.297

Sales Tax collections will decrease from sales that are shifted into the exemption period from a period when the items would have been taxable. There could be an offsetting impact on business income tax collections if the sales occurring during the exemption period are sales that would not have otherwise occurred (e.g., if people purchase more than they would have purchased otherwise or if out-of-state residents come into the state to purchase items they otherwise would not have purchased in Indiana).

Background Information -The bill provides a Sales Tax exemption for any tangible personal property sold at retail in a retail transaction during the time period three day period each year beginning on the second Friday of August. Therefore, despite the April 1, 2012, effective date, the first impact on Sales Tax collections will not occur until FY 2013.

The statutory definition of tangible personal property includes any “personal property that: (1) can be seen, weighed, measured, felt, or touched; or (2) is in any other manner perceptible to the senses. The term includes electricity, water, gas, steam, and prewritten computer software.” However, the estimate above does not include a shifting of any sales of utilities due to the assumption that utility companies will bill and supply their retail consumers in the same manner as any other two-day period during the year.

Explanation of Local Expenditures:

Explanation of Local Revenues: Local revenues will be impacted to the extent that a local unit receives funds from the Commuter Rail Service Fund, or the Industrial Rail Service Fund.

State Agencies Affected: Department of State Revenue.

Local Agencies Affected: All.

Information Sources: U.S. Department of Labor, Bureau of Labor Statistics, *Consumer Expenditure Survey*, <http://www.bls.gov/cex/>.

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